

Message Text

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PAGE 01 GEORGE 01390 091840Z

44

ACTION SS-30

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O 091745Z AUG 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 0119

C O N F I D E N T I A L GEORGETOWN 1390

EXDIS

E.O. 11652: GDS

TAGS: EMIN, GY

SUBJECT: REYNOLDS NEGOTIATION

REF: (A) STATE 173817 (B) GEORGETOWN 1272 (C) GEORGETOWN 1387

1. IMPORTANCE OF MANAGEMENT CONTROL OF REYNOLDS TO GOG, IN OUR VIEW, MUST BE EXAMINED IN LIGHT OF VARIOUS CONTINGENCIES, WHICH INVOLVE PRIMARILY SCOPE OF FUTURE OPERATIONS OF BOTH GUYBAU AND REYNOLDS.

2. AT OUTSET, WE NOTE REYNOLDS CONDITIONED HIS WILLINGNESS TO EXPLORE 51 PERCENT PARTICIPATION ON WHETHER GOG WOULD "REJECT OUT OF HAND COMPANY'S REVENUE OFFER" TABLED AUGUST 8. AS DEPT WILL NOTE FROM REFTEL C, GOG RESPONSE YESTERDAY AFTERNOON COMES CLOSE TO OUTRIGHT REJECTION OF THAT OFFER.

3. DEPT WILL ALSO RECALL THAT IN DISCUSSING REYNOLDS

CASE WITH CHARGE' ON JULY 22 (REFTEL B, PARA 5), PM BURNHAM SAID IF REYNOLDS HAD CHANGED MIND SINCE FEBRUARY HE AND GOG WOULD BE INTERESTED IN DISCUSSING MAJORITY

PARTICIPATION AND HE FELT THIS COULD MEET DEFINITION OF NATIONALIZATION HE HAD PROMISED BY END OF 1974.

4. HOWEVER, IT IS OUR ASSESSMENT THAT BURNHAM WOULD
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PAGE 02 GEORGE 01390 091840Z

HARDLY ACCEPT REYNOLDS MANAGEMENT CONTROL AS ADJUNCT TO

GOG MAJORITY PARTICIPATION UNLESS HE COULD SHOW SUBSTANTIAL ADDITIONAL BENEFITS TO COUNTRY IN FORM OF EXPANDED PRODUCTION, PARTICULARLY IN AREA OF CALCINED BAUXITE, ALUMINA OR EVEN OF SMELTER, WHICH WOULD ENTAIL RATHER LARGE NEW CAPITAL IMPORTS BY REYNOLDS.

5. UNDERLYING THIS ASSESSMENT IS HARD FACT THAT,(DESPITE TECHNICAL, MANAGERIAL AND MARKETING PROBLEMS WHICHSTILL PLAGUE GUYBAU, GOG HAS KEPT OPERATION GOING WITH REASONABLE DEGREE SUCCESS FOR PAST THREE YEARS AND HAS OBTAINED FINANCIAL BACKING FOR EXPANSION PROGRAM. AT LEAST FROM STANDPOINT OF PUBLIC POSTURE AT HOME AND ABROAD, BURNHAM COULD NOT ADMIT INABILITY OF GUYBAU TO TAKE ON THE MANAGEMENT OF AN ENTERPRISE WHICH HAS LESS THAN ONE-THIRD THE CAPACITY OF GUYBAU.

6. CONSEQUENTLY, IT SEEMS TO US THAT BURNHAM WOULD ONLY BE INTERESTED IN REYNOLDS MANAGEMENT CONTROL OF A SUBSTANTIALLY EXPANDED OPERATION, COUPLED WITH SOME ARRANGEMENT FOR IMMEDIATE INCREASE OF REVENUE. DEPT AND REYNOLDS WILL RECALL THAT BURNHAM SHOWED NO REPEAT NO INTEREST LAST FEBRUARY IN REYNOLDS OFFER TO CONTINUE PRESENT OPERATION AS IS BUT TO SET UP SEPARATE NEW ENTERPRISE WITH 51 PERCENT GOG PARTICIPATION DEVOTED EXCLUSIVELY TO PRODUCTION OF CALCINED BAUXITE. THUS, WE WOULD ASSUME ANY SWEETNER OFFERED AT THIS STAGE WOULD HAVE TO BE SIGNIFICANTLY BETTER THAN FEBRUARY PROPOSAL.

7. REYNOLDS IS OBVIOUSLY IN BETTER POSITION THAN EITHER EMBASSY OR DEPT TO DETERMINE WHAT IS FEASIBLE ECONOMICALLY IN TERMS OF BOTH EXPANSION OF PRODUCTION AND MOVING TO SECONDARY STAGES OF PROCESSING. HOWEVER, IN LIGHT OF GOG'S ANNOUNCED INTENTION TO ACHIEVE INGOT-PRODUCING CAPACITY, BOTH JOINTLY WITH TRINIDAD-TOBAGO AND JAMAICA AND EVENTUALLY ON ITS OWN, ANY NEW REYNOLDS OFFER SHOULD BE CONSISTENT WITH THESE PLANS.

8. IF REYNOLDS IS GENUINELY INTERESTED IN SOMETHING, OF THIS NATURE, IT WOULD SEEM PRUDENT THAT HE MAKE INITIAL MOVE (PREFERABLY AT HIGHEST LEVEL) BEFORE GOG GETS LOCKED ONTO COURSE OF TAX LEGISLATION NEXT WEEK. WE HAVE NOT RPT NOT MENTIONED
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PAGE 03 GEORGE 01390 091840Z

ENDERS/REYNOLDS CONVERSATION TO TEAM HERE, NOR HAVE THEY TO US.
KREBS

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Message Attributes

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